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Stalled Spire hurts developer back home

By Mary Ellen Podmolik, Tribune reporter

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Chicago Spire developer Garrett Kelleher's effort to build the nation's tallest building in Chicago is threatening the viability of one of his Ireland-based firms.

Clarinabbey Ltd., a subsidiary of Kelleher's Shelbourne Property Group, lost \$197.2 million for the year ended March 31, with much of the loss tied to an intracompany transfer of funds for the Spire. It compares with a loss of almost \$11.4 million in March 2008.

The company said it made a provision of \$187.8 million against money due it from sister companies because it was unsure that those funds would be recovered. That sum includes advances and loans made in 2008 totaling \$153.4 million to Shelbourne entities associated with the Spire.

The annual financial accounting of the company was released Jan. 28 in Ireland.

The report said most of the covenants tied to the company's bank loans are "technically in breach" and that Kelleher and other directors are seeking a "standstill agreement" with its banks. Those lenders include Anglo Irish Bank Corp. Ltd., the Royal Bank of Scotland and Bank of Scotland Ltd.

If such an agreement cannot be reached, the directors' report submitted with the financial statements said "there exists a fundamental uncertainty over the company's ability to meet its obligations as and when they fall due."

Work on the Spire has been stalled for more than a year. In August, Bank of America Corp. sued Shelbourne Development Group and Kelleher, accusing the developer of defaulting on a loan and saying \$4.9 million was due. Shelbourne since has countersued the bank.

Meanwhile, Shelbourne continues to seek alternative sources of financing to raise its Santiago Calatrava-designed twisting skyscraper from the hole in the ground at 400 N. Lake Shore Drive. Late last year, the company was seeking investment from the pension funds of construction trades unions whose members would directly benefit from the project.

Those discussions have yielded no agreements and ULLICO Inc., a labor-owned insurance and financial services firms with \$5.4 billion in assets under management, turned down Shelbourne, confirmed Joe Harmening, the project's director of development.

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Harmening said the company continues to have conversations with potential investors.

"The status hasn't changed," he said. "The conversations are continuing."

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